



**City of
Matlosana**
City of Matlosana

Annual Financial Statements
for the year ended 30 June 2013

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

General Information

Nature of business and principal activities	<p>To within its financial and administrative capacity :</p> <ul style="list-style-type: none">-provide democratic and accountable government for the community of Matlosana;-to ensure the provision of services to the community in a sustainable manner;-to promote social and economic development;-to promote a safe and healthy environment; and <p>To encourage the involvement of the community and community organizations in the matters of the municipality.</p> <p>Legislation governing the operations of the municipality includes but are not limited to the following:</p> <ul style="list-style-type: none">-The Constitution of the Republic of South Africa, 1996 and specifically Chapter 7-Local Government: Municipal Structures Act 117 of 1998-Local Government: Municipal Systems Act 32 of 2000-Local Government: Municipal Finance Management Act 56 of 2003
Mayoral committee	
Executive Mayor	M.K. Khauoe (Chairperson)
Councillors	M.M.S. Lee G.R. Kgosi M.E. Mthimkulu L.V. Rothmans G.C. Mbobo M.L. Mothibedi M.E. Kgaile R.A. Matsepe N.S. Mendela P.R. Pooe
Accounting Officer	E.T. Motsemme
Chief Finance Officer (CFO)	M.K. Kgauwe
Registered office	Bram Fischer Street Klerksdorp 2571
Business address	Bram Fischer Street Klerksdorp 2571
Postal address	P.O. Box 99 Klerksdorp 2570
Bankers	ABSA Bank Ltd
Auditors	Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature :

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MMC	Member of the Mayoral Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements is still subject to audit.

The annual financial statements set out on pages 322 to 370, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Accounting Officer
E.T. Motsemme

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	7	102 337 752	104 042 902
Receivables from exchange transactions	8	9 084 028	22 765 053
VAT receivable	9	-	5 831 136
Consumer debtors	10	78 857 935	67 957 877
Other receivables	6	22 192	21 332
Cash and cash equivalents	11	58 296 126	65 040 858
		248 598 033	265 659 158
Non-Current Assets			
Investment property	2	59 290 819	60 814 598
Property, plant and equipment	3	6 142 236 562	6 436 734 046
Intangible assets	4	763 104	763 104
Other financial assets	5	16 377 449	21 623 223
Other receivables	6	209 709	231 914
		6 218 877 643	6 520 166 885
Total Assets		6 467 475 676	6 785 826 043
Liabilities			
Current Liabilities			
Other financial liabilities	13	17 003 821	18 811 198
Payables from exchange transactions	16	341 697 166	304 565 231
VAT payable	17	1 908 500	-
Unspent conditional grants and receipts	14	102 190 674	76 044 287
Provisions	15	9 616 798	15 012 048
Consumer deposits	18	39 705 014	23 312 820
		512 121 973	437 745 584
Non-Current Liabilities			
Other financial liabilities	13	111 236 120	128 239 941
Provisions	15	237 254 187	246 956 408
		348 490 307	375 196 349
Total Liabilities		860 612 280	812 941 933
Net Assets		5 606 863 396	5 972 884 110
Net Assets			
Reserves			
Housing development fund		5 125 928	5 125 928
Accumulated surplus		5 601 737 468	5 967 758 182
Total Net Assets		5 606 863 396	5 972 884 110

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Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue	19	1 416 493 507	1 217 191 171
Other income		63 197 642	82 536 209
Operating expenses		(1 853 806 457)	(1 669 731 931)
Operating deficit		(374 115 308)	(370 004 551)
Investment revenue	27	45 076 379	42 848 631
Finance costs	29	(30 123 263)	(19 402 163)
Deficit for the year		(359 162 192)	(346 558 083)

City of Matlosana

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Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	5 125 928	1 768 469 791	1 773 595 719
Adjustments			
Prior year adjustments	-	4 545 846 474	4 545 846 474
Balance at 01 July 2011 as restated	5 125 928	6 314 316 265	6 319 442 193
Changes in net assets			
Deficit for the year	-	(346 558 083)	(346 558 083)
Total changes	-	(346 558 083)	(346 558 083)
Balance at 01 July 2012	5 125 928	5 960 899 660	5 966 025 588
Changes in net assets			
Deficit for the year	-	(359 162 192)	(359 162 192)
Total changes	-	(359 162 192)	(359 162 192)
Balance at 30 June 2013	5 125 928	5 601 737 468	5 606 863 396

Note(s)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		967 854 834	862 190 192
Grants		437 738 615	352 580 997
Interest income		45 076 379	42 848 631
Other receipts		63 197 642	82 536 209
		1 513 867 470	1 340 156 029
Payments			
Employee costs		(411 868 033)	(394 129 307)
Suppliers		(963 904 082)	(752 204 594)
Finance costs		(30 123 263)	(19 402 163)
		(1 405 895 378)	(1 165 736 064)
Net cash flows from operating activities	33	107 972 092	174 419 965
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(117 564 939)	(114 069 268)
Proceeds from sale of financial assets		5 245 774	(2 787 835)
Proceeds from sale of other receivables		21 345	20 510
Net cash flows from investing activities		(112 297 820)	(116 836 593)
Cash flows from financing activities			
Repayment of borrowings		-	(16 889 002)
Repayment of other financial liabilities		(18 811 198)	-
Movement in consumer deposits		16 392 194	1 806 032
Net cash flows from financing activities		(2 419 004)	(15 082 970)
Net increase/(decrease) in cash and cash equivalents		(6 744 732)	42 500 402
Cash and cash equivalents at the beginning of the year		65 040 858	22 540 456
Cash and cash equivalents at the end of the year	11	58 296 126	65 040 858

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant policy.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value at reporting date.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Accounting Policies

1.2 Investment property (continued)

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fixtures	7 - 10 years
Infrastructure	
• Roads and paving	10 to 30 years
• Electricity	20 to 30 years
• Wastewater network	15 to 20 years
• Water network	15 to 20 years
Other vehicles	3 to 20 years
Other equipment	5 to 10 years

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Accounting Policies

1.3 Property, plant and equipment (continued)

Specialised plant and machinery	5 to 15 years
Other property, plant and equipment	3 to 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Heritage assets are shown at cost and are not depreciated owing to uncertainty regarding to their estimated useful lives.

Accounting Policies

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period – however, such intangible assets are subject to an annual impairment test.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Accounting Policies

1.6 Financial instruments (continued)

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Accounting Policies

1.6 Financial instruments (continued)

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

Accounting Policies

1.6 Financial instruments (continued)

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The lease assets are depreciated at appropriate rates as per the relevant policy.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the expense to the municipality.

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Accounting Policies

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The entity provides post-retirement health care benefit to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Leave and bonus accruals :

- liabilities for annual leave and bonus are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end for the leave accrual and the bonus accrual based on the initial inception of the service month.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or

(b) a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.13 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.3. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.15 Borrowing costs (continued)

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the MFMA and includes :

- overspending of the total amount appropriated in the approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the act.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.23 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.24 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.27 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Retirement benefits

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees :

- Municipal Employees Gratuity Fund
- Pension Fund for Municipal Councillors
- National Fund for Municipal Workers
- SALA Pension Fund
- SAMWU Provident Fund

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.29 Retirement benefits (continued)

- Municipal Employees Pension Fund

Council does not operate or are not involved in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the employer.

1.30 Going concern

These annual financial statements have been prepared on a going concern basis.

1.31 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified.

1.32 New Standards and Interpretations

Application of all of the GRAP standards listed below will be effective from a date to be announced by the Minister of Finance.

Management has considered all the of the listed GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 25 Employee Benefits
- GRAP 105 Transfers between entities under common control
- GRAP 106 Transfers between entities not under common control
- GRAP 107 Mergers
- Improvements to Standards of GRAP

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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2. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	59 290 819	-	59 290 819	60 814 598	-	60 814 598

Reconciliation of investment property - 2013

	Opening balance	Transfers	Total
Investment property	60 814 598	(1 523 779)	59 290 819

Reconciliation of investment property - 2012

	Opening balance	Transfers	Total
Investment property	66 405 490	(5 590 892)	60 814 598

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	467 406 482	(57 207 241)	410 199 241	468 001 585	(38 289 775)	429 711 810
Infrastructure	9 605 522 269	(4 672 735 740)	4 932 786 529	9 492 333 065	(4 346 217 855)	5 146 115 210
Community	908 094 348	(188 733 090)	719 361 258	905 437 468	(138 657 381)	766 780 087
Heritage	2 073 878	-	2 073 878	2 073 878	-	2 073 878
Other property, plant and equipment	138 388 306	(60 572 650)	77 815 656	137 888 438	(45 835 377)	92 053 061
Total	11 121 485 283	(4 979 248 721)	6 142 236 562	11 005 734 434	(4 569 000 388)	6 436 734 046

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Buildings	429 711 810	1 218 987	(1 814 090)	-	-	(18 917 466)	410 199 241
Infrastructure	5 146 115 210	113 189 204	-	-	-	(326 517 885)	4 932 786 529
Community	766 780 087	2 656 881	-	-	-	(50 075 710)	719 361 258
Heritage	2 073 878	-	-	-	-	-	2 073 878
Other property, plant and equipment	92 053 061	499 867	-	-	-	(14 737 272)	77 815 656
	6 436 734 046	117 564 939	(1 814 090)	-	-	(410 248 333)	6 142 236 562

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Buildings	442 164 357	2 509 819	(6 531 369)	-	-	(8 430 997)	429 711 810
Infrastructure	5 369 145 149	97 079 223	-	-	-	(320 109 162)	5 146 115 210
Community	796 638 260	6 154 409	-	-	-	(36 012 582)	766 780 087
Heritage	2 066 318	7 560	-	-	-	-	2 073 878
Other property, plant and equipment	96 441 667	8 318 257	-	-	-	(12 706 863)	92 053 061
	6 706 455 751	114 069 268	(6 531 369)	-	-	(377 259 604)	6 436 734 046

Pledged as security

None of the Property Plant and Equipment is pledged as security.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	105 273 842	9 761 230	1 842 020	116 877 092
Additions/capital expenditure	32 206 079	-	-	32 206 079
Transferred to completed items	(55 607 035)	(9 761 230)	(1 842 020)	(67 210 285)
	81 872 886	-	-	81 872 886

Reconciliation of Work-in-Progress 2012

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	64 223 972	7 619 079	906 717	72 749 768
Additions/capital expenditure	93 426 190	2 142 151	935 303	96 503 644
Transferred to completed items	(52 376 320)	-	-	(52 376 320)
	105 273 842	9 761 230	1 842 020	116 877 092

4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	763 104	-	763 104	763 104	-	763 104

5. Other financial assets

Held to maturity

Other financial assets	16 377 449	21 623 223
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Non-current assets

Held to maturity	16 377 449	21 623 223
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The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2013 and 2012, as all the financial assets were disposed of at their redemption date.

List of investments held

Sanlam : Capital guaranteed fund - 040644725X0	-	5 764 535
Sanlam : Capital guaranteed fund - 040710409X0	406 209	386 078
Nedcor : FK183349	15 971 240	15 472 610
	16 377 449	21 623 223

The Nedcor investment is encumbered by a pledge of R 3 700 000 as disclosed in note 12.

6. Other receivables

An existing loan to the Klerksdorp Rolbalklub is being repaid with an interest rate of 5% applicable. The MFMA stopped the practice of giving loans to sport bodies.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
6. Other receivables (continued)		
Loan to Klerksdorp Rolbalklub		
Short term portion of loan	22 192	21 332
Long term portion of loan	209 709	231 914
	231 901	253 246
7. Inventories		
Consumable stores	31 586 185	33 840 802
Water	1 331 579	1 372 538
Nature reserve - wildlife stock	3 341 648	2 670 674
Museum stores - at authorised value	146 007	179 823
Unsold properties held for resale at council resolution or municipal valuation	65 932 333	65 979 065
	102 337 752	104 042 902
8. Receivables from exchange transactions		
Deposits	727 153	732 003
Receivables	6 568 269	9 520 943
Market	388 548	388 548
Housing	-	11 000 000
Housing and housing rentals	1 400 058	1 123 559
	9 084 028	22 765 053
9. VAT receivable		
VAT	-	5 831 136
10. Consumer debtors		
Gross balances		
Rates	95 982 178	94 158 120
Electricity	139 027 948	130 096 127
Water	267 978 859	202 999 999
Sewerage	64 019 972	56 822 215
Refuse	71 108 963	57 849 197
Other	723 712 078	663 331 592
	1 361 829 998	1 205 257 250
Less: Provision for debt impairment		
Rates	(88 406 632)	(86 603 453)
Electricity	(128 054 945)	(119 658 016)
Water	(246 828 200)	(186 712 531)
Sewerage	(58 967 094)	(52 263 151)
Refuse	(65 496 575)	(53 207 734)
Other	(695 218 617)	(638 854 488)
	(1 282 972 063)	(1 137 299 373)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
10. Consumer debtors (continued)		
Net balance		
Rates	7 575 546	7 554 667
Electricity	10 973 003	10 438 111
Water	21 150 659	16 287 468
Sewerage	5 052 878	4 559 064
Refuse	5 612 388	4 641 463
Other	28 493 461	24 477 104
	78 857 935	67 957 877
Rates		
Current (0 -30 days)	12 226 704	11 995 755
31 - 60 days	3 014 663	3 307 639
61 - 90 days	2 356 507	2 341 493
91+ days	78 384 304	76 513 233
Provision for bad debts	(88 406 632)	(86 603 453)
	7 575 546	7 554 667
Electricity		
Current (0 -30 days)	30 448 894	31 822 529
31 - 60 days	7 058 876	4 330 817
61 - 90 days	2 400 430	5 305 900
91 + days	99 119 748	88 636 881
Provision for bad debts	(128 054 945)	(119 658 016)
	10 973 003	10 438 111
Water		
Current (0 -30 days)	16 698 359	16 735 926
31 - 60 days	9 461 745	7 323 925
61 - 90 days	6 850 818	7 204 431
91 + days	234 967 937	171 735 717
Provision for bad debts	(246 828 200)	(186 712 531)
	21 150 659	16 287 468
Sewerage		
Current (0 -30 days)	4 368 451	4 373 561
31 - 60 days	1 736 669	1 755 618
61 - 90 days	1 356 394	1 419 467
91 + days	56 558 458	49 273 569
Provision for bad debts	(58 967 094)	(52 263 151)
	5 052 878	4 559 064
Refuse		
Current (0 -30 days)	3 445 825	3 472 148
31 - 60 days	1 705 699	1 674 782
61 - 90 days	1 509 152	1 485 508
91 + days	64 448 287	51 216 759
Provision for bad debts	(65 496 575)	(53 207 734)
	5 612 388	4 641 463

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
10. Consumer debtors (continued)		
Other		
Current (0 -30 days)	13 874 309	13 515 863
31 - 60 days	11 795 526	6 589 987
61 - 90 days	6 983 925	5 475 140
91 + days	691 058 318	637 750 602
Provision for bad debts	(695 218 617)	(638 854 488)
	28 493 461	24 477 104

The carrying value of consumer debtors approximate fair value.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	68 500	66 500
Bank balances	2 777 387	15 387 254
Short-term deposits	55 450 239	49 587 104
	58 296 126	65 040 858

Section 125(2)b of the MFMA requires that the municipality disclose a summary of all investment and therefore the Short-term deposits are represented as follows :

ABSA call account 4078266177	40 623 303	3 904 618
ABSA call account 4073033854	54 818	45 191 044
ABSA call account 9090072264	375 065	363 068
ABSA call account 9056825047	43 238	43 238
ABSA deposit account 9074204063	166 743	-
Sanlam policy 040644725X0	6 066 962	-
FNB deposit account 71037411669	31 239	29 652
FNB deposit account 70379020873	14 000	14 000
FNB deposit account 71039866474	43 638	41 484
Investec call account	8 031 233	-
	55 450 239	49 587 104

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank - cheque account - 4060008684	3 000	4 460 443	-	(16 000)	3 134 799	-
ABSA Bank - cheque account - 01000100176	3 436 786	4 626 409	2 863 230	813 979	11 977 034	739 249
ABSA Bank - cheque account - 950164379 (Council water)	2 074 331	179 314	326 744	1 766 987	66 398	109 901
ABSA Bank - cheque account - 950000090 (Market)	2 514 814	2 514 814	1 663 573	92 062	92 062	(686 197)
ABSA Bank - call account - 4071085841 (Housing)	120 359	116 961	120 871	120 359	116 961	120 871
Total	8 149 290	11 897 941	4 974 418	2 777 387	15 387 254	283 824

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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12. Housing development fund

Unappropriate surplus	5 125 928	5 125 928
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The housing development fund is represented by the following assets and liabilities :

Bank and cash	5 125 928	5 125 928
---------------	-----------	-----------

13. Other financial liabilities

Held at amortised cost

Annuity loans	128 239 941	147 051 139
---------------	-------------	-------------

Refer to appendix A for more detail on long-term liabilities.

Non-current liabilities

At amortised cost	111 236 120	128 239 941
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Current liabilities

At amortised cost	17 003 821	18 811 198
-------------------	------------	------------

128 239 941 147 051 139

An amount of R 3 700 000, covered by the Nedcor Investment FK183349, was pledged as security for loan NW1374/2 at DBSA.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MIG	93 723 678	61 174 063
National Electricity Regulator	2 322 308	8 806 412
FMG	881 343	385 808
DWAF	276 464	276 464
MSIG	-	571 047
EPWP	3 690 288	3 690 288
Fire Grant	52 606	500 594
Library grant	1 030 811	639 611
Dr Kenneth Kaunda District Municipality	213 176	-
	102 190 674	76 044 287

See note 22 for reconciliation of grants from National/Provincial Government.

The unspent grant balance is currently not fully cashbacked and the municipality considers that balance as an unauthorised expenditure. This will be dealt with in line with the MFMA requirements.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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15. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	34 780 579	501 143	(23 437 743)	11 843 979
Continuous medical aid contribution	226 367 272	7 839 129	-	234 206 401
Performance bonuses	820 605	-	-	820 605
	261 968 456	8 340 272	(23 437 743)	246 870 985

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	33 066 792	1 713 787	-	34 780 579
Continuous medical aid contribution	208 238 993	18 128 279	-	226 367 272
Performance bonuses	820 605	-	-	820 605
	242 126 390	19 842 066	-	261 968 456

Non-current liabilities	237 254 187	246 956 408
Current liabilities	9 616 798	15 012 048
	246 870 985	261 968 456

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of this cost.

Employee benefit cost provision

	2013	2012
Opening defined benefit obligation	226 367 272	208 238 993
Plus Service Cost	9 482 414	8 530 164
Plus Interest / Finance cost	19 029 615	18 382 651
Less Employer contribution made	(9 246 300)	(8 618 869)
Plus Revaluation loss/ (profit)	(10 426 600)	(165 667)
	235 206 401	226 367 272

The Municipality provides a subsidy towards medical aid contributions payable by some employees who joined Matlosana and remain in the employ of Matlosana until retirement. The post-employment subsidy policy aims to be the same as that during employment. The subsidy rate is at a rate of 60% of monthly contributions and is subject to a cap, which is currently at R3440. This defined benefit obligation is unfunded.

The value of this provision was determined by Matlotlo Group, an independent actuarial consulting firm, as at 30 June 2013. The value of the provision is dependent on, amongst others, the demographic profile of employees, long maturity bond yields as well as assumptions for mortality and medical scheme contributions.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

Discount rate : 8.92% (2012 : 8.69%)

Future Medical inflation rate per annum : 7.61% (2012 : 7.61%)

Take-up by retired employees : 100% (2012 : 100%)

Retirement age : 65 (2012 : 65)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
15. Provisions (continued)		
Pre retirement mortality : SA85-90 [Light] Ultimate (2012 : SA85-90 [Light] Ultimate)		
Post retirement mortality : PA[90] (2012 : PA[90])		
16. Payables from exchange transactions		
Trade payables	131 506 572	88 478 177
Payments received in advanced	31 194 516	39 292 860
Accrued leave pay	39 853 299	43 261 509
Long Service Leave	1 143 623	1 458 054
Sundry creditors	137 878 797	131 957 670
Housing : Absa bank account	120 359	116 961
	341 697 166	304 565 231
17. VAT payable		
Tax refunds payables	1 908 500	-
18. Consumer deposits		
Electricity and water	39 705 014	23 312 820
Gaurentees held :		
In lieu of debtors for the Fresh Produce Market	400 000	400 000
In lieu of electricity and water deposits	1 926 198	1 926 198
	2 326 198	2 326 198
19. Revenue		
Rendering of services	22 594	4 839
Property rates	194 461 248	183 246 897
Service charges	747 703 993	645 295 263
Levies	1 367 641	2 505 993
Rental of facilities & equipment	7 967 927	8 536 746
Fines	7 943 389	6 557 462
Licences and permits	4 516 692	4 495 881
Government grants & subsidies	437 738 615	352 580 997
Market dues	13 471 243	13 934 507
Miscellaneous other revenue	1 300 165	32 586
	1 416 493 507	1 217 191 171
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	22 594	4 839
Service charges	747 703 993	645 295 263
Rental of facilities & equipment	7 967 927	8 536 746
Licences and permits	4 516 692	4 495 881
Miscellaneous other revenue	1 300 165	32 586
	761 511 371	658 365 315

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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19. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	194 461 248	183 246 897
Fines	7 943 389	6 557 462

Transfer revenue

Government grants & subsidies	437 738 615	352 580 997
Levies	1 367 641	2 505 993
Market dues	13 471 243	13 934 507

654 982 136 558 825 856

20. Property rates

Rates received

Residential	168 697 804	159 596 703
State	11 587 985	10 706 617
Indigent	14 137 404	12 905 522
Sundry debtors	38 055	38 055

194 461 248 183 246 897

Valuations

Residential	29 399 639 000	29 399 639 000
State	481 872 000	481 872 000
Municipal and farms	1 262 138 000	1 262 138 000
Agricultural	182 908 000	182 908 000

31 326 557 000 31 326 557 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. The valuations were done by DDP Valuers on behalf of the Municipality. An extension of the current valuation roll till July 2014 was granted by the Member of the Executive Committee responsible for Local Government.

21. Service charges

Sale of electricity	500 296 548	438 708 631
Sale of water	200 223 696	160 917 924
Sewerage and sanitation charges	1 192 747	1 676 639
Refuse removal	45 991 002	43 992 069

747 703 993 645 295 263

22. Government grants and subsidies

Equitable share	331 799 000	298 960 000
MIG	89 496 386	49 887 290
NERSA	8 984 104	258 078
FMG	1 004 466	1 838 244
MSIG	1 371 047	481 297
Fire grant	447 988	805 094
Library grant	8 800	350 994
District MEYMP	2 786 824	-
EPWP	1 840 000	-

437 738 615 352 580 997

Equitable Share

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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22. Government grants and subsidies (continued)

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 248 (2012: R 240), which is funded from the grant.

MIG

Balance unspent at beginning of year	61 174 063	10 710 431
Current-year receipts	122 046 000	100 609 000
Conditions met - transferred to revenue	(89 496 385)	(50 145 368)
	93 723 678	61 174 063

Conditions still to be met - remain liabilities (see note 14)

NERSA

Balance unspent at beginning of year	8 806 412	345 490
Current-year receipts	2 500 000	8 719 000
Conditions met - transferred to revenue	(8 984 104)	(258 078)
	2 322 308	8 806 412

Conditions still to be met - remain liabilities (see note 14)

FMG

Balance unspent at beginning of year	385 808	974 052
Current-year receipts	1 500 000	1 250 000
Conditions met - transferred to revenue	(1 004 465)	(1 838 244)
	881 343	385 808

Conditions still to be met - remain liabilities (see note 14)

DWAF

Balance unspent at beginning of year	276 464	276 464
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 14)

MSIG

Balance unspent at beginning of year	571 047	262 344
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(1 371 047)	(481 297)
	-	571 047

Conditions still to be met - remain liabilities (see note 14)

EPWP

Balance unspent at beginning of year	3 690 288	1 955 700
Current-year receipts	1 840 000	1 734 588
Conditions met - transferred to revenue	(1 840 000)	-
	3 690 288	3 690 288

Conditions still to be met - remain liabilities (see note 14)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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22. Government grants and subsidies (continued)

Fire

Balance unspent at beginning of year	500 594	105 688
Current-year receipts	-	1 200 000
Conditions met - transferred to revenue	(447 988)	(805 094)
	52 606	500 594

Conditions still to be met - remain liabilities (see note 14).

Library

Balance unspent at beginning of year	639 611	590 605
Current-year receipts	400 000	400 000
Conditions met - transferred to revenue	(8 800)	(350 994)
	1 030 811	639 611

Conditions still to be met - remain liabilities (see note 14).

District MEYMP

Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(2 786 824)	-
	213 176	-

Conditions still to be met - remain liabilities (see note 14).

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
23. General expenses		
Advertising	3 141 785	3 163 599
Assessment rates & municipal charges	2 799 400	2 655 975
Auditors remuneration	2 209 019	5 979 368
Bank charges	5 191 411	5 595 951
Cleaning	1 022	572
Commission paid	-	2 074 159
Consulting and professional fees	8 932 668	23 615 469
Consumables	1 440 061	1 609 731
Discount allowed	6 156 098	5 820 610
Entertainment	447 059	446 221
Fines and penalties	265 200	319 700
Animal Costs	6 626	5 060
Gifts	-	5 461
Hire	1 084 720	1 621 277
Insurance	3 393 685	2 581 302
Community development and training	396 869	894 345
Conferences and seminars	312 028	470 531
Lease rentals on operating lease	3 707 232	3 585 584
Marketing	359 236	1 034 640
Promotions and sponsorships	-	196 895
Magazines, books and periodicals	123 956	186 920
Medical expenses	42 303	15 007
Motor vehicle expenses	34 580 704	31 095 194
Pest control	26 069	29 920
Postage and courier	3 135 599	3 266 671
Printing and stationery	2 906 468	2 757 147
Royalties and license fees	4 230	4 683
Security (Guarding of municipal property)	6 766 711	6 742 836
Software expenses	-	413 602
Subscriptions and membership fees	14 534	16 684
Telephone and fax	5 284 487	7 008 745
Transport and freight	58 780	73 795
Training	1 720 198	2 574 999
Travel - local	146 098	118 189
Refuse	3 707 051	3 288 265
Title deed search fees	240 210	171 401
Electricity	25 840	1 572 047
Other miscellaneous	34 092 624	62 140 688
Billing charges	-	22 652
Chemicals	1 255 165	1 389 508
	133 975 146	184 565 403

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
24. Employee related costs		
Basic	264 720 343	245 151 386
Medical aid - company contributions	38 581 775	51 627 746
UIF	2 671 457	2 363 889
WCA	3 045 716	3 031 686
Other payroll levies	3 378 267	2 961 844
Leave pay provision charge	(3 408 210)	4 854 423
Other short term costs	4 846 349	-
Travel, motor car, accommodation, subsistence and other allowances	3 117 036	2 379 487
Overtime payments	23 191 719	18 554 866
13th Cheques	20 345 508	19 329 067
Housing benefits and allowances	1 413 520	1 471 726
Group insurance	909 602	794 155
Pension fund	54 335 789	50 449 394
Redemption of leave	2 265 221	3 907 030
Other payments	1 798 711	2 177 673
	421 212 803	409 054 372
Remuneration of municipal manager		
Annual remuneration.	1 179 073	374 666
Remuneration of Chief Finance Officer		
Annual Remuneration.	1 153 900	142 561
Director municipal & social services : Section 57 appointment		
Annual remuneration (Vacant from March 2012)	-	581 745
Director Corporate Services : Section 57 appointment		
Annual remuneration	945 107	225 240
Director Macro City Planning & Development : Section 57 appointment		
Annual remuneration	945 107	581 874
Director Strategic Planning, Monitoring and Control : Section 57 appointment		
Annual remuneration	945 107	225 240
Director Infrastructure		
Annual remuneration (Vacant from January 2012 to November 2012)	630 071	431 585
Director Electrical and Mechanical Engineering		
Annual remuneration	945 107	225 240
25. Remuneration of councillors		
Executive Mayor	811 688	673 095
Mayoral Committee Members	7 137 778	5 702 225
Speaker	641 599	536 405
Councillors	13 641 237	11 611 711
	22 232 302	18 523 436

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
25. Remuneration of councillors (continued)		
The Mayor has the use of a Council owned vehicle for official duties.		
The Executive Mayor has one full-time bodyguard\driver.		
26. Debt impairment		
Contributions to debt impairment provision	151 023 625	117 345 666
Debts impaired	765 607	56 952
	151 789 232	117 402 618
27. Investment revenue		
Interest revenue		
Bank	1 164 335	931 583
Interest charged on trade and other receivables	39 387 871	36 723 920
Interest on investments	4 524 173	5 193 128
	45 076 379	42 848 631
28. Depreciation and amortisation		
Property, plant and equipment	410 248 332	377 259 602
29. Finance costs		
Non-current borrowings	16 255 866	19 402 163
Other interest paid	13 867 397	-
	30 123 263	19 402 163
30. Auditors' remuneration		
Fees	2 209 019	5 979 368
31. Contracted services		
Other Contractors	59 516 089	54 626 526
32. Bulk purchases		
Electricity	448 836 842	339 934 897
Water	159 774 304	136 319 013
	608 611 146	476 253 910

Electricity and water are supplied by Eskom and Midvaal Water Company.

Total distribution losses, both technical and non-technical, for water and electricity is at 23.50% (17.16%) and 14.10%(26.36%) respectively. Where applicable, own use is estimated. The municipality is in the process of installing meters at all its premises to enable us to accurately measure and manage own use. A strategy has been developed to minimise distribution losses and it will be implemented over time due to budget constraints.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
33. Cash generated from operations		
Deficit	(359 162 192)	(346 558 083)
Adjustments for:		
Depreciation and amortisation	410 248 332	377 259 602
Debt impairment	151 789 232	117 402 618
Movements in provisions	(15 097 471)	40 199 731
Other non-cash items	(3 520 654)	1 303 371
Changes in working capital:		
Inventories	1 705 150	5 953 081
Receivables from exchange transactions	13 681 025	6 141 853
Consumer debtors	(162 689 290)	(134 722 156)
Payables from exchange transactions	37 131 937	23 912 931
VAT	7 739 636	22 703 504
Unspent conditional grants and receipts	26 146 387	60 823 513
	107 972 092	174 419 965

34. Commitments

Authorised capital expenditure

• Infrastructure	206 781 273	227 978 861
• Community	17 086 517	962 125
• Other	964 952	5 282 256
	224 832 742	234 223 242

This expenditure will be financed from :

• Government grants	190 980 655	188 646 071
• Own resources	33 852 087	45 577 171
	224 832 742	234 223 242

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	841 650	2 505 078
- in second to fifth year inclusive	-	841 650
	841 650	3 346 728

Operating lease payments represent rentals payable by the municipality for certain of its office properties, vehicles and office equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
35. Contingencies		
Contingent assets		
Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in a note of this financial statements, civil proceedings have commenced against the employees concerned to recover an amount of R 2 300. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.		
City of Matlosana / G Wessie		
Claim by council against a former employee for equipment not yet returned.	2 300	2 300
City of Matlosana / Raliform Investments (Pty) Ltd		
Council instituted claims against the contractor for construction of houses which were condemned.	-	156 000 000
City of Matlosana / St Phillips Congregation		
Council obtained judgement against respondent.	1 522 100	-
City of Matlosana / MM Moadira		
Six claims were formulated in the summons relating to financial losses incurred due to misconduct by the defendant.	5 000 000	-
City of Matlosana / Reetseng Construction CC		
A claim by Council for the non-delivery of goods paid for.	276 633	276 633
City of Matlosana / Zazise Communication CC		
A claim by Council for non-payment of money owed by the defendant for advertisement.	-	500 000
City of Matlosana / Balemi Civils		
A claim by Council for non performance of contract CE58/2/2007/B.	1 600 000	1 600 000
City of Matlosana / Badiboa Building Construction CC		
Council instituted legal action to recover monies as per surety for failure to perform as per tender CE2/2/2010.	1 200 000	1 200 000
City of Matlosana / Mr Masisi		
Council instituted a civil claim against Mr Masisi. The defendant's pension fund was instructed to withheld pension monies due in lieu of this case.	7 822 100	7 822 100

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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36. Related parties

Relationships

Councillor Douw J (Resigned)	Midvaal Water Company
Councillor Makhale S (Resigned)	Midvaal Water Company
Councillor Mapane MJ (Resigned)	Midvaal Water Company
Councillor Sebuasengwe GL (Resigned)	Midvaal Water Company
Councillor Thabanchu (Resigned)	Midvaal Water Company
Councillor MK Khauoe	Midvaal Water Company
Councillor LM Kortjas	Midvaal Water Company
Councillor GS Nkebe	Midvaal Water Company
Councillor RA Matsepe	Midvaal Water Company
Councillor EPJ Nel	Midvaal Water Company
Councillor S Nakedi	Midvaal Water Company
Councillor TI Thobedi	Midvaal Water Company
Councillor MI Groenewald	Midvaal Water Company
Councillor EG Hart	Ted Hart Attorney
Councillor EJ Legassick	Star Lubricant Distributors
Councillor Dithejane MC	Lerato Botho Building Electrical Construction CC

Councillors are members of the board of directors of the Midvaal Water Company (a section 21 company) who supply bulk water to the City of Matlosana. Transactions with Midvaal Water Company amounted to R161 369 878 (2012 : R 136 004 567). Midvaal Water Company is a supplier and the transactions are at arm's length.

Councillors Hart is a related party to Ted Hart Attorney and the amount contracted for the year amounted to R8 301 (2012 : R 0).

Councillors Legassick is a related party to Star Lubricant Distributors and the amount contracted for the year amounted to R42 356 (2012 : R 0).

Mr Bondes (resigned as councillor) and councillor Bester was related parties to ZMS Management Solutions (Pty) Ltd which supplies debt collection services to the City of Matlosana. ZMS was awarded the work through tender process and expenditure for the year under review amounts to R 0 (2012 : R 6 563 236)

Councillor Dithejane is a member of Lerato Botho Building Electrical Construction CC which provides construction services that is awarded through the tender process. Expenditure for the current year is R 171 579 (2012 : R 494 530)

37. Prior period errors

The prior year figure of accumulated surplus has been restated to correctly reflect treatment and classification of transactions in line with applicable GRAP statements. The following classes of transactions, balances and corresponding notes were also affected : Property, Plant and Equipment; Investment Property; Inventory; Receivables from exchange transactions; VAT receivable; Consumer Debtors; Intangible assets; Payables from exchange transactions; Vat payable; Provisions; and balances on the statement of financial performance and on the cash flow statement.

PPE, landstock, intangible assets and investment property were restated due to unbundling that was done in accordance with GRAP.

The deferred VAT on receivables was adjusted after taking into consideration the effect of the VAT implication of the impaired debtors.

Provisions were restated as per calculations of appointed actuaries, consultants and own calculations.

The effect on accumulated surplus as at 30 June 2011 was as follows :

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
37. Prior period errors (continued)		
Balance previously stated 30 June 2011	- 1 755 677 437	
Correction for landstock	- 65 363 113	
Correction for PPE	- 4 438 591 226	
Correction for intangible assets	- 763 104	
Correction for investment property	- (68 427 910)	
Correction for deferred VAT on impaired debtors	- 45 385 091	
Correction for VAT payable	- 2 395 684	
Correction for restated provision for landfill sites rehabilitation	- (208 693)	
Correction for restated provision of post employment benefits	- (76 545 168)	
Correction for restated long service leave	- 138 530 026	
Accumulated Surplus as at 30 June 2011	- 6 301 523 910	

The effect on profit for the year ended 30 June 2012 is as follows :

Balance as previously reported 30 June 2012	- (103 602 752)
Correction of errors	- (241 008 266)
Restated balance 30 June 2012	- (344 611 018)

The correction of errors is made up of the following :

Impairment VAT : Previous R 130 540 790, restated R 117 345 666, Adjustment R 13 195 124 (Impairment restated after adjustment of the VAT component previously included)

Other Income : Previous R 0, restated -R 8 480 532, Adjustment R 8 480 532 (Other income has been restated due to errors found and corrected with the reconciliation of the VAT payable account)

Provisions : Previous R 10 510 095, restated R 25 658 053, Adjustment -R 15 147 958 (Provisions recalculated and restated)

Repairs machinery : Previous R 95 525, restated R 504 033, Adjustment -R 408 507 (Repairs restated to reflect costs previously capitalised)

Loss on sale of assets : Previous R 0, restated R 12 154 080, Adjustment -R 12 154 080 (Restated due to unbundling of assets and the consequent correction of errors)

Depreciation : Previous R 157 705 694, restated R 375 312 539, Adjustment -R 217 606 845 (Restated due to unbundling of assets and the consequent corrections)

Transfer of funds : Previous -R 2 001, restated R 15 144 439, Adjustment -R 15 146 440 (Correction done fund accounting transactions)

The effect on financial position is as follows :

PPE : Previous R 2 221 234 759, Adjustment R 4 204 645 905, Restated R 6 425 880 664 (PPE was restated after completion of full verification and valuation of assets)

Intangible assets : Previous R 0, Adjustment R 763 104, Restated R 763 104 (Assets was restated after completion of the unbundling process)

Investment property : Previous R 133 833 400, Adjustment R -74 018 802, Restated R 59 814 598 (Assets was restated after completion of the unbundling process)

Provisions : Previous R 310 054 718, Adjustment -R 295 042 670, Restated R 261 968 456 (Provisions was restated due to reclassification and restatement due to calculation errors)

Deferred VAT : Previous -R 63 690 335, Adjustment R 58 580 215, Restated -R 5 110 120 (VAT deferred balance corrected for the correction of VAT on the impaired debtors)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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37. Prior period errors (continued)

Reclassifying of items on the financial statement resulted in the following movements :

General expenses -R 26 208 263, Other Income R 26 208 263 (Offsetting allowed)

Other receivables -R 3 265 202, Consumer debtors R 3 265 202 (consumer debtors now grouped together)

Other receivables R 19 748 808, Other Payables -R 19 748 808 (Credit balances allocated to other payables)

Other payables -R 2 800 451, Other receivables R 2 800 451 (Debit balances now allocated to other receivables)

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

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38. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide services for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 13, cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 10% to 35%.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2013 and 2012 respectively were as follows:

Total borrowings

Current Liabilities		513 861 590	437 745 584
Non-current liabilities		348 490 307	375 196 349
		862 351 897	812 941 933
Less: Cash and cash equivalents	11	58 296 126	65 040 858
Net debt		804 055 771	747 901 075
Total equity		5 606 863 396	5 972 884 110
Total capital		6 410 919 167	6 720 785 185

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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38. Risk management (continued)

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2013 and 2012, the municipality's borrowings at variable rate were denominated in Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2013	2012
Long term receivables	16 377 449	21 623 223
Consumer debtors	78 857 935	67 957 877
Other receivables	22 192	21 332
Cash and cash equivalents	58 296 126	65 040 858

The municipality is exposed by a guarantee for a loan at DBSA and is secured by the Nedbank investment as disclosed in note 12.

39. Going concern

We draw attention to the fact that although the municipality reported a deficit of R358 859 091 at 30 June 2013, the municipality had accumulated surplus of R 5 601 737 468 and that the municipality's total assets exceed its liabilities by R 5 606 863 396.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We are experiencing cash flow challenges as a result of low debtors collection rate which has an impact on our ability to pay our creditors timeously. Our ability to continue as a going concern is highly dependant on improvement of collections and management of costs.

40. Events after the reporting date

There were no material events that required an adjustment to the annual financial statements after the reporting date.

41. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	481 003 201	481 003 201
Unauthorised expenditure current year	363 558 508	-
Unauthorised expenditure awaiting authorisation	844 561 709	481 003 201

Over expenditure against budget due to additional depreciation charge as a result of the GRAP 17 compliance exercise conducted and the impairment of consumer and sundry debtors. The total balance including the opening balance will be dealt with in accordance with the MFMA requirements.

During 2010 an amount of R 21 459 111 was spent on the repairs of defects houses, which do not fall within the powers and functions allocated by the member of the executive committee of the department of local government in the province.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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42. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	15 408 286	5 720 251
Fruitless and wasteful expenditure current year	15 565 936	9 688 035
Fruitless and wasteful expenditure awaiting condonement	30 974 222	15 408 286

The Municipality incurred interest as a result of late payment of the Eskom, SARS and Auditor General accounts. Fines and penalties was also incurred for late submissions and other incidents of non-compliance.

43. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	33 897 811	33 897 811
Add: Irregular Expenditure - current year	363 873 665	-
Irregular expenditure awaiting condonement	397 771 476	33 897 811

Various expenditure items were identified during the 2010 audit for which adequate supporting evidence could not be provided as proof that all Supply Chain Management Procedures were followed. These matters are currently being investigated and appropriate procedures as required by the MFMA will be implemented based on the findings of the investigations.

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government : SALGA

Opening balance	859 084	-
Current year subscription / fee	3 422 693	2 809 064
Amount paid - current year	(2 000 000)	(1 949 980)
	2 281 777	859 084

Audit fees

Opening balance	962 539	1 222 608
Current year subscription / fee	5 134 022	5 719 299
Amount paid - current year	(2 383 526)	(5 979 368)
	3 713 035	962 539

PAYE, UIF and SDL

Opening balance	3 364 483	-
Current year subscription / fee	44 409 225	39 736 199
Amount paid - current year	(44 203 475)	(36 371 716)
	3 570 233	3 364 483

Pension and Medical Aid Deductions

Opening balance	6 706 159	-
Current year subscription / fee	86 155 895	77 524 480
Amount paid - current year	(85 418 794)	(70 818 321)
	7 443 260	6 706 159

VAT

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
44. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT receivable	-	5 831 136
VAT payable	1 908 500	-
	1 908 500	5 831 136

Total amount of VAT paid was R 10 383 875.04 (2012 : R 8 926 407.17)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:
(Currently arrangements with the councillors to deduct the outstanding balances from their monthly salaries in line with the council's credit policy)

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MM Bontsi	433	15 643	16 076
Councillor PM Coetzee	5 786	28 258	34 044
Councillor MK Khauoe	4 303	11 365	15 668
Councillor LM Kortjas	2 657	6 987	9 644
Councillor MV Maboke	445	349	794
Councillor NS Mandela	2 308	763	3 071
Councillor JJ Molebatsi	1 263	3 753	5 016
Councillor MJ Ngomane	1 476	11 678	13 154
Councillor GS Nkebe	931	2 156	3 087
Councillor TA Rametsi	734	11 080	11 814
Councillor KL Sethole	2 064	1 567	3 631
	22 400	93 599	115 999

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MP Hlaka	-	4 065	4 065
Councillor MK Khauoe	1 387	24 992	26 379
Councillor Mandela	-	4 226	4 226
Councillor GS Nkebe	-	12 810	12 810
Councillor SL Sithole	-	17 199	17 199
	1 387	63 292	64 679

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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44. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2013

	Highest outstanding amount 2013	Highest outstanding amount 2012
Councillor MM Bontsi	16 075	-
Councillor M Coetzee	35 774	7 261
Councillor MP Hlaka	-	22 095
Councillor LM Kortjas	9 644	-
Councillor NL Landela	-	28 600
Councillor MI Mangesi	-	2 481
Councillor RA Matsepe	-	12 185
Councillor NS Mendela	-	6 916
Councillor MJ Ngomane	21 726	-
Councillor GS Nkebe	-	27 768
Councillor TA Rametsi	11 814	-
Councillor KL Sethole	9 810	-
Councillor SL Sithole	-	27 488
	104 843	134 794

45. Utilisation of Long-term liabilities reconciliation

Long-term liabilities	128 239 941	147 051 139
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Refer to appendix A for more detail on long-term liabilities.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
46. Contingent liabilities		
Guarantee in favour of Telkom		
A general guarantee, ref LDP 179200040, was held by ABSA in favour of Telkom	-	22 860
Theron Jordaan & Smit / City of Matlosana		
This was an application by the claimant, a firm of attorneys, to be reinstated on the panel by council. There is also a counter action by council for files retained by the firm.	185 166	185 166
Francis Behr / City of Matlosana		
Mr. Behr claimed against the Council for not transferring Erf 3141 Orkney Extension 2 into his name as he paid an amount of R 13 500.	13 500	13 500
S Pillay / City of Matlosana		
Me. Shalin Pillay instituted legal action Council for damages suffered.	240 000	240 000
LJ Moshesh / City of Matlosana		
The City of Matlosana is waiting for judgment.	60 000	-
ME Motuang / City of Matlosana		
ME Motuang had summons issued and served for personal injury. The plaintiff apparently stepped into an open manhole and was injured and incurred damages as a result of loss of income.	-	70 000
NJ Myburg \ City of Matlosana		
Council is defending summons brought against the Council by plaintiff in lieu of fire damage to plaintiff's property.	-	1 007 879
Roadspan Asphalt (Pty) Ltd / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff.	174 292	174 292
QCK Lezmin 4251 CC / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff.	1 309 124	1 309 124
River End Trading / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff.	87 372	87 372
Ke A Dira Construction CC / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS 1/2011.	17 391 227	17 391 228
New Integrated Credit Solutions / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS16/2010.	5 000 000	5 000 000
City of Matlosana / Erf 1644, Stilfontein (AJE Williams)		
Potential unrecoverable cost for legal action against defendant for contraventions of the Klerksdorp Land Use Scheme.	-	13 964
Rentokil initial (Pty) Ltd / City of Matlosana		
There is a potential of not recovering the legal cost incurred in defending this case.	96 801	96 801
Itumre Building Supply CC / City of Matlosana		
The City of Matlosana is defending the matter.	563 816	563 816

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
46. Contingent liabilities (continued)		
Silver Blade Abattoir (Pty) Ltd / City of Matlosana		
The claimant instituted legal action against the City of Matlosana.	200 000	200 000
MM Moadira / Executive Mayor and City of Matlosana		
The claimant instituted legal action against the City of Matlosana.	4 000 000	4 000 000
Deon Schmidt Obo Quelene Schmidt & Michelle Schmidt and CD Koch / City of Matlosana		
The claimant instituted legal action against the City of Matlosana.	-	100 000
Road Mac Surfacing Limited / City of Matlosana		
The claimant instituted legal action against the City of Matlosana.	-	1 040 376
Road Mac Surfacing Limited / City of Matlosana		
The claimant instituted legal action against the City of Matlosana.	-	4 534 510
African Oxygen Limited t/a Afrox / City of Matlosana		
The claimant instituted legal action against the City of Matlosana.	-	28 284

SAMWU&IMATU / City of Matlosana (SALGA)

There is currently a dispute between the organised labour and SALGA (the municipalities) regarding the implementation of the wage curve agreement which had an implementation date of 01 July 2010. If implemented as per the interpretation by the unions, the wages would be retrospectively adjusted by approximately 1.8% as from the disputed date. SALGA have a different viewpoint and the matter is pending further court action. As the implementation is also dependant on individual grading of employees and further negotiations between the parties, management will only in due course be able to estimate the potential liability for disclosure purposes.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

47. Statement of comparative and actual information

2013

	Original budget	Budget adjustments to s28 & s31 of the MFMA	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Property rates	216 681 699	205 220 211	2 264 140	207 484 351	194 461 248	13 023 103	94 %	90 %
Service charges	819 531 296	844 598 460	8 819 754	853 418 214	749 071 634	104 346 580	88 %	91 %
Investment revenue	2 000 000	1 500 000		1 500 000	45 076 379	(43 576 379)	3 005 %	2 254 %
Transfers recognised - operational	341 313 000	341 313 000	7 099 288	348 412 288	437 738 615	(89 326 327)	126 %	128 %
Other own revenue	159 259 359	136 858 859	(18 183 182)	118 675 677	98 419 652	20 256 025	83 %	62 %
Total revenue (excluding capital transfers and contributions)	1 538 785 354	1 529 490 530		1 529 490 530	1 524 767 528	4 723 002	100 %	99 %
Employee costs	(405 188 277)	(421 305 652)	(2 331)	(421 307 983)	(421 212 803)	(95 180)	100 %	104 %
Remuneration of councillors	(19 781 357)	(22 349 133)	(228 238)	(22 577 371)	(22 232 302)	(345 069)	98 %	112 %
Debt impairment	(91 773 928)	(91 773 928)		(91 773 928)	(151 789 232)	60 015 304	165 %	165 %
Depreciation and asset impairment	(122 708 245)	(122 708 245)	(19 202 792)	(141 911 037)	(410 248 332)	268 337 295	289 %	334 %
Finance charges	(20 888 606)	(19 888 606)	1 782 440	(18 106 166)	(30 123 263)	12 017 097	166 %	144 %
Materials and bulk purchases	(576 821 258)	(556 836 258)	15 000	(556 821 258)	(608 611 146)	51 789 888	109 %	106 %
Other expenditure	(299 502 415)	(294 556 115)	17 635 921	(276 920 194)	(239 712 642)	(37 207 552)	87 %	80 %
Total expenditure	(1 536 664 086)	(1 529 417 937)		-(1 529 417 937)	(1 883 929 720)	354 511 783	123 %	123 %
Surplus/(Deficit) for the year	2 121 268	72 593		72 593	(359 162 192)	359 234 785	(494 761)%	(16 931)%

Refer to appendix E1 and E2 for detailed listings.

City of Matlosana

Annual Financial Statements for the year ended 30 June 2013

Detailed Income statement

Figures in Rand	Note(s)	2013	2012
Revenue			
Rendering of services		22 594	4 839
Property rates	20	194 461 248	183 246 897
Service charges	21	747 703 993	645 295 263
Levies		1 367 641	2 505 993
Rental of facilities and equipment		7 967 927	8 536 746
Fines		7 943 389	6 557 462
Licences and permits		4 516 692	4 495 881
Government grants & subsidies	22	437 738 615	352 580 997
Market dues		13 471 243	13 934 507
Miscellaneous other revenue		1 300 165	32 586
Commissions received		9 889 822	9 269 531
Royalties received		1 212 273	1 150 195
Rental income		176 417	745 992
Discount received		435 478	330 738
Recoveries		292 100	3 002 519
Other income		43 340 701	30 431 261
Reconnections		7 850 851	37 605 973
Interest received - investment	27	45 076 379	42 848 631
Total Revenue		1 524 767 528	1 342 576 011
Expenditure			
Personnel	24	(421 212 803)	(409 054 372)
Remuneration of councillors	25	(22 232 302)	(18 523 436)
Depreciation and amortisation	28	(410 248 332)	(377 259 602)
Finance costs	29	(30 123 263)	(19 402 163)
Debt impairment	26	(151 789 232)	(117 402 618)
Repairs and maintenance		(46 221 407)	(32 046 064)
Bulk purchases	32	(608 611 146)	(476 253 910)
Contracted services	31	(59 516 089)	(54 626 526)
General Expenses	23	(133 975 146)	(184 565 403)
Total Expenditure		(1 883 929 720)	(1 689 134 094)
Deficit for the year		(359 162 192)	(346 558 083)

City of Matlosana

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013
		Rand	Rand	Rand	Rand
JBC09588	30-Sep-2014	11 048 373	-	4 036 741	7 011 632
NW10959	30-Sep-2017	4 365 145	-	558 502	3 806 643
NW11182	30-Sep-2018	5 020 390	-	496 720	4 523 670
NW13637	30-Sep-2020	3 103 892	-	194 510	2 909 382
NW13874/1	30-Sep-2019	3 888 889	-	555 555	3 333 334
NW13874/2	30-Jun-2019	14 998 125	-	-	14 998 125
100395	30-Jun-2013	2 542 727	-	2 542 727	-
101297/1	30-Jun-2019	18 612 438	-	1 872 703	16 739 735
101297/2	30-Jun-2019	23 290 014	-	2 343 340	20 946 674
10556/101	31-Mar-2018	7 844 317	-	882 997	6 961 320
10906/101	30-Mar-2019	3 504 261	-	275 764	3 228 497
10912/102	20-Sep-2019	5 189 656	-	408 394	4 781 262
10913/102	30-Sep-2019	3 994 184	-	314 318	3 679 866
9740/102	31-Mar-2014	367 821	-	174 931	192 890
9741/102	31-Mar-2015	380 456	-	180 940	199 516
9743/102	31-Mar-2015	1 001 657	-	301 817	699 840
9746/102	31-Mar-2015	1 150 228	-	289 527	860 701
103677/1	01-Nov-2010	33 413 723	-	1 225 101	32 188 622
		143 716 296	-	16 654 587	127 061 709
KLER-00-001	31-Dec-2013	3 334 843	-	2 156 612	1 178 231
		3 334 843	-	2 156 612	1 178 231
		143 716 296	-	16 654 587	127 061 709
		3 334 843	-	2 156 612	1 178 231
		147 051 139	-	18 811 199	128 239 940

City of Matlosana
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Appendix B

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings									
Land (Separate for AFS purposes)	62 045 515	-	(1 814 090)	60 231 425	-	-	-	-	60 231 425
Buildings (Separate for AFS purposes)	405 956 070	1 218 987	-	407 175 057	(38 289 775)	-	(18 917 466)	(57 207 241)	349 967 816
	468 001 585	1 218 987	(1 814 090)	467 406 482	(38 289 775)	-	(18 917 466)	(57 207 241)	410 199 241
Infrastructure									
Roads, Pavements & Bridges	3 610 159 096	48 097 638	-	3 658 256 734	(1 647 817 468)	-	(117 259 812)	(1 765 077 280)	1 893 179 454
Electricity Reticulation	1 587 282 038	17 329 404	-	1 604 611 442	(739 378 828)	-	(43 011 998)	(782 390 826)	822 220 616
Water Reservoirs and Reticulation	2 429 841 750	13 605 761	-	2 443 447 511	(1 053 012 948)	-	(113 991 949)	(1 167 004 897)	1 276 442 614
Sewerage Purification and Reticulation	1 856 715 957	34 156 400	-	1 890 872 357	(905 004 372)	-	(51 859 698)	(956 864 070)	934 008 287
Car Parks, Bus Terminals and Taxi Ranks	8 334 224	-	-	8 334 224	(1 004 238)	-	(394 428)	(1 398 666)	6 935 558
	9 492 333 065	113 189 203	-	9 605 522 268	(4 346 217 854)	-	(326 517 885)	(4 672 735 739)	4 932 786 529
Community Assets									
Parks & gardens	229 995	-	-	229 995	(5 358)	-	(10 350)	(15 708)	214 287
Sportsfields and stadium	147 827 686	399 555	-	148 227 241	(10 856 385)	-	(6 991 742)	(17 848 127)	130 379 114
Community halls	409 341 842	-	-	409 341 842	(78 821 898)	-	(24 193 400)	(103 015 298)	306 326 544
Libraries	227 046 575	2 027 002	-	229 073 577	(33 675 772)	-	(13 362 126)	(47 037 898)	182 035 679
Recreational facilities	37 462 669	-	-	37 462 669	(5 164 499)	-	(1 676 761)	(6 841 260)	30 621 409
Clinics	16 677 648	-	-	16 677 648	(467 626)	-	(789 988)	(1 257 614)	15 420 034
Museums & art galleries	16 395 189	-	-	16 395 189	(659 687)	-	(733 278)	(1 392 965)	15 002 224
Cemeteries	10 737 586	230 324	-	10 967 910	(1 946 483)	-	(733 091)	(2 679 574)	8 288 336
	865 719 190	2 656 881	-	868 376 071	(131 597 708)	-	(48 490 736)	(180 088 444)	688 287 627

**City of Matlosana
City of Matlosana
Appendix B**

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance	Additions	Transfers	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets									
Heritage	2 073 878	-	-	2 073 878	-	-	-	-	2 073 878
	2 073 878	-	-	2 073 878	-	-	-	-	2 073 878
Housing									
Housing Schemes	21 951 056	-	-	21 951 056	(2 989 794)	(1 050 232)	-	(4 040 026)	17 911 030
	21 951 056	-	-	21 951 056	(2 989 794)	(1 050 232)	-	(4 040 026)	17 911 030
Other assets									
Motor vehicles	70 788 249	-	-	70 788 249	(16 034 283)	-	(5 503 373)	(21 537 656)	49 250 593
Plant & equipment	13 943 419	499 867	-	14 443 286	(7 345 568)	-	(2 013 162)	(9 358 730)	5 084 556
Furniture & Fittings	27 896 429	-	-	27 896 429	(8 053 632)	-	(4 327 535)	(12 381 167)	15 515 262
Office Equipment	25 031 278	-	-	25 031 278	(14 353 452)	-	(2 859 999)	(17 213 451)	7 817 827
Airports	17 767 224	-	-	17 767 224	(4 069 880)	-	(534 741)	(4 604 621)	13 162 603
Emergency	229 064	-	-	229 064	(48 442)	-	(33 204)	(81 646)	147 418
	155 655 663	499 867	-	156 155 530	(49 905 257)	-	(15 272 014)	(65 177 271)	90 978 259
Total property plant and equipment									
Land and buildings	468 001 585	1 218 987	(1 814 090)	467 406 482	(38 289 775)	-	(18 917 466)	(57 207 241)	410 199 241
Infrastructure	9 492 333 065	113 189 203	-	9 605 522 268	(4 346 217 854)	-	(326 517 885)	(4 672 735 739)	4 932 786 529
Community Assets	865 719 190	2 656 881	-	868 376 071	(131 597 708)	-	(48 490 736)	(180 088 444)	688 287 627
Heritage assets	2 073 878	-	-	2 073 878	-	-	-	-	2 073 878
Housing	21 951 056	-	-	21 951 056	(2 989 794)	(1 050 232)	-	(4 040 026)	17 911 030
Other assets	155 655 663	499 867	-	156 155 530	(49 905 257)	-	(15 272 014)	(65 177 271)	90 978 259
	11 005 734 437	117 564 938	(1 814 090)	11 121 485 285	(4 569 000 388)	(1 050 232)	(409 198 101)	(4 979 248 721)	6 142 236 564
Agricultural/Biological assets									
Intangible assets									
Computers - software & programming	763 104	-	-	763 104	-	-	-	-	763 104
	763 104	-	-	763 104	-	-	-	-	763 104
Investment properties									
Office park	60 814 598	-	(1 523 780)	59 290 818	-	-	-	-	59 290 818
	60 814 598	-	(1 523 780)	59 290 818	-	-	-	-	59 290 818

**City of Matlosana
City of Matlosana
Appendix B**

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

Opening Balance	Additions	Transfers	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
468 001 585	1 218 987	(1 814 090)	467 406 482	(38 289 775)	-	(18 917 466)	(57 207 241)	410 199 241
9 492 333 065	113 189 203	-	9 605 522 268	(4 346 217 854)	-	(326 517 885)	(4 672 735 739)	4 932 786 529
865 719 190	2 656 881	-	868 376 071	(131 597 708)	-	(48 490 736)	(180 088 444)	688 287 627
2 073 878	-	-	2 073 878	-	-	-	-	2 073 878
21 951 056	-	-	21 951 056	(2 989 794)	(1 050 232)	-	(4 040 026)	17 911 030
155 655 663	499 867	-	156 155 530	(49 905 257)	-	(15 272 014)	(65 177 271)	90 978 259
763 104	-	-	763 104	-	-	-	-	763 104
60 814 598	-	(1 523 780)	59 290 818	-	-	-	-	59 290 818
11 067 312 139	117 564 938	(3 337 870)	11 181 539 207	(4 569 000 388)	(1 050 232)	(409 198 101)	(4 979 248 721)	6 202 290 486

Total

Land and buildings	468 001 585	1 218 987	(1 814 090)	467 406 482	(38 289 775)	-	(18 917 466)	(57 207 241)	410 199 241
Infrastructure	9 492 333 065	113 189 203	-	9 605 522 268	(4 346 217 854)	-	(326 517 885)	(4 672 735 739)	4 932 786 529
Community Assets	865 719 190	2 656 881	-	868 376 071	(131 597 708)	-	(48 490 736)	(180 088 444)	688 287 627
Heritage assets	2 073 878	-	-	2 073 878	-	-	-	-	2 073 878
Housing	21 951 056	-	-	21 951 056	(2 989 794)	(1 050 232)	-	(4 040 026)	17 911 030
Other assets	155 655 663	499 867	-	156 155 530	(49 905 257)	-	(15 272 014)	(65 177 271)	90 978 259
Intangible assets	763 104	-	-	763 104	-	-	-	-	763 104
Investment properties	60 814 598	-	(1 523 780)	59 290 818	-	-	-	-	59 290 818

Segmental analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated Depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying value Rand
Municipality											
Health/Clinics	16 746 866	-	-	-	-	16 746 866	(492 407)	(799 956)	-	(1 292 363)	15 454 503
Comm. & Social/Libraries and archives	911 261 282	2 775 720	-	-	-	914 037 002	(140 254 368)	(52 295 437)	-	(192 549 805)	721 487 197
Housing	22 307 390	-	-	-	-	22 307 390	(3 259 243)	(1 064 485)	-	(4 323 728)	17 983 662
Public Safety/Police	126 982 313	436 816	-	-	-	127 419 129	(19 472 081)	(7 082 589)	-	(26 554 670)	100 864 459
Council General	13 362 678	-	-	-	-	13 362 678	(3 440 372)	(1 903 767)	-	(5 344 139)	8 018 539
City Civil Engineer	8 035 935 869	95 859 800	-	-	-	8 131 795 669	3 624 206 333)	(291 017 523)	-	3 915 223 856)	4 216 571 813
City Electrical Engineer	1 606 213 820	17 329 404	-	-	-	1 623 543 224	(741 719 042)	(44 268 644)	-	(785 987 686)	837 555 538
Corporate services	122 860 113	-	(3 337 870)	-	-	119 522 243	-	-	-	-	119 522 243
Financial section	105 588 673	499 867	-	-	-	106 088 540	(17 564 667)	(7 471 865)	-	(25 036 532)	81 052 008
Market	90 804 324	663 330	-	-	-	91 467 654	(5 425 347)	(4 335 664)	-	(9 761 011)	81 706 643
Local economic development	2 073 878	-	-	-	-	2 073 878	-	-	-	-	2 073 878
	1 054 137 206	117 564 937	(3 337 870)	-	-	1 168 364 273	4 555 833 860)	(410 239 930)	-	4 966 073 790)	6 202 290 483
Municipal Owned Entities											
Total											
Municipality	1 054 137 206	117 564 937	(3 337 870)	-	-	1 168 364 273	4 555 833 860)	(410 239 930)	-	4 966 073 790)	6 202 290 483
	1 054 137 206	117 564 937	(3 337 870)	-	-	1 168 364 273	4 555 833 860)	(410 239 930)	-	4 966 073 790)	6 202 290 483

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
14 108 057	119 926 677	(105 818 620)	Executive & Council/Mayor and Council	9 533 718	121 217 972	(111 684 254)
493 235 846	191 829 127	301 406 719	Finance & Admin/Finance	451 140 548	535 486 709	(84 346 161)
15 584 216	21 063 737	(5 479 521)	Planning and Development/Economic Development/Plan	6 499	5 734 239	(5 727 740)
46 263	6 375 958	(6 329 695)	Health/Clinics	137 428	5 573 161	(5 435 733)
122 375 007	173 511 254	(51 136 247)	Comm. & Social/Libraries and archives	129 495 967	145 077 771	(15 581 804)
3 026 665	7 256 534	(4 229 869)	Housing	2 010 046	6 787 630	(4 777 584)
78 341 480	135 143 984	(56 802 504)	Public Safety/Police	23 498 686	88 542 049	(65 043 363)
16 103 987	125 879 452	(109 775 465)	Road Transport/Roads	5 212 335	61 908 166	(56 695 831)
419 890 935	425 908 401	(6 017 466)	Electricity /Electricity Distribution	469 313 330	505 824 358	(36 511 028)
200 325 038	259 748 122	(59 423 084)	Other/Air Transport	434 418 971	407 777 665	26 641 306
1 363 037 494	1 466 643 246	(103 605 752)		1 524 767 528	1 883 929 720	(359 162 192)
Municipal Owned Entities Other charges						
1 363 037 494	1 466 643 246	(103 605 752)	Municipality	1 524 767 528	1 883 929 720	(359 162 192)
1 363 037 494	1 466 643 246	(103 605 752)	Total	1 524 767 528	1 883 929 720	(359 162 192)

**Actual versus Budget (Revenue and Expenditure) for
the year ended 30 June 2013**

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	Var
Revenue				
Rendering of services	22 594	-	22 594	-
Property rates	194 461 247	212 038 603	(17 577 356)	(8,3)
Service charges	747 703 993	838 129 517	(90 425 524)	(10,8)
Levies	1 367 641	-	1 367 641	-
Rental of facilities and equipment	7 967 926	8 081 604	(113 678)	(1,4)
Fines	7 943 389	8 311 360	(367 971)	(4,4)
Licences and permits	4 516 692	8 524 982	(4 008 290)	(47,0)
Government grants & subsidies	437 738 613	348 412 288	89 326 325	25,6
Market dues	13 471 243	15 101 591	(1 630 348)	(10,8)
Other income	64 497 812	89 390 585	(24 892 773)	(27,8)
Interest received - investment	45 076 378	1 500 000	43 576 378	2 905,1
	1 524 767 528	1 529 490 530	(4 723 002)	(0,3)
Expenses				
Personnel	(421 212 800)	(408 487 454)	(12 725 346)	3,1
Remuneration of councillors	(22 232 302)	(22 577 371)	345 069	(1,5)
Depreciation	(410 248 333)	(141 911 037)	(268 337 296)	189,1
Finance costs	(30 123 263)	(18 106 166)	(12 017 097)	66,4
Debt impairment	(151 789 233)	(91 773 928)	(60 015 305)	65,4
Repairs and maintenance - General	(46 221 408)	(51 672 394)	5 450 986	(10,5)
Bulk purchases	(608 611 147)	(556 821 258)	(51 789 889)	9,3
Contracted Services	(59 516 089)	(59 620 671)	104 582	(0,2)
General Expenses	(133 975 144)	(178 447 658)	44 472 514	(24,9)
	(1 883 929 719)	(1 529 417 937)	(354 511 782)	23,2
Net surplus/ (deficit) for the year	(359 162 191)	72 593	(359 234 784)	(494 861,5)

**Budget Analysis of Capital Expenditure as at
30 June 2013**

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Land and Buildings : Buildings	11 216 505	15 327 266	4 110 761		27 Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Infrastructure : Electricity networks	11 269 489	21 100 922	9 831 433		47 Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Infrastructure : Roads and stormwater	55 516 133	113 895 106	58 378 973		51 Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Infrastructure : Water networks	11 658 583	22 755 700	11 097 117		49 Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Infrastructure : Sewerage networks	24 310 459	29 479 562	5 169 103		18 Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Community assets : Buildings	1 634 869	10 883 737	9 248 868		85 Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Other assets : Office equipment	35 578	1 500 000	1 464 422		98 Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
Other assets : Containers	499 867	499 868	1		-
Other assets : Plant and equipment	447 988	531 123	83 135		16 Underspending is due to late appointment of service providers for grant funded projects and cashflow restriction on council funded projects
	116 589 471	215 973 284	99 419 391	46	

City of Matlosana

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		
MIG	National Treasury	15 197	-	24 308	-	1 524	28 683	6 720	52 569	Yes	
Nersa	National Treasury	1 660	840	-	-	5 173	2 980	10	821	Yes	
FMG	National Treasury	1 500	-	-	-	341	192	113	358	Yes	
DWAF	National Treasury	-	-	-	-	-	-	-	-	Yes	
MSIG	National Treasury	800	-	-	-	54	6	21	1 641	Yes	
EPWP	National Treasury	841	447	552	-	1 840	-	1 840	2 787	Yes	
Fire	Provincial Treasury	-	-	-	-	-	-	-	-	Yes	
Library	Provincial Treasury	-	-	400	-	9	-	-	-	Yes	
DME	National Treasury	-	-	-	-	-	-	-	-		
	District Municipality	-	-	-	-	-	-	-	-		
		19 998	1 287	25 260	-	8 941	31 861	8 704	58 176		

The amounts above are in R '000